

[Auditor's Description of Condition](#)
[DSHS Response](#)
[Laws & Regulations](#)

The Department of Social and Health Services paid providers with Medicaid funds through the Social Services Payment System for services provided to clients using Social Security numbers belonging to deceased persons.

Background

While most Department of Social and Health Services payments to providers from Medicaid funds are processed through the Medicaid Management Information System, some are processed through the Social Services Payment System (SSPS). Medicaid program services paid through SSPS include the Community Options Program Entry System, Supported Living Services, and Medicaid Personal Care. Eligibility for these Medicaid programs is based on many factors; however, a valid Social Security number is required, even for children.

Description of Condition

As a result of our review of SSPS records, we found 613 instances in which the name of the client served did not match the name of the deceased person, even though the Social Security number was the same. These exceptions indicate possible identity theft of a deceased person and potential noncompliance with Medicaid requirements. Based on this analysis, we determined this area to be high risk and expanded our audit.

We obtained a valid sample, randomly selecting 225 clients out of the 613. We found 155 potential exceptions with related actual and projected questioned costs of \$1,553,627.

Of the 155 tested, we found:

- Use of a deceased relative's Social Security number: 92 exceptions, or 40.9 percent, with associated actual and projected costs of \$1,063,508.
- Apparent identity theft of a deceased unrelated person's Social Security number: 23 exceptions, or 10.2 percent, with associated actual and projected costs of \$281,702.
- Data entry error by the Department: 40 exceptions, or 17.8 percent, with associated actual and projected costs of \$208,417.

As part of our review, but not as part of the valid sample, we also found six clients with names similar to those of deceased persons, but without matching birth dates. This again indicates the possibility that the client used a deceased relative's Social Security number. These costs totaled \$78,278.

We shared our detailed results with the Department and requested any additional information it had regarding the exceptions. We received no response from the Department other than a statement that our data was inaccurate and a list describing the

percentages of our results which it stated were inaccurate. However, no documentation was provided to confirm this statement.

Cause of Condition

The Department has not made the verification of Social Security numbers a high priority.

Effect of Condition

The Medicaid program is unnecessarily susceptible to loss because the Department cannot identify in a timely manner clients using Social Security numbers of deceased persons. The total actual and projected payments as a result of this finding are \$1,631,905 and are included in the overall Program disclaimer. Half of this amount, or \$815,953, was provided with federal funds and the remainder with state funds.

Recommendations

We recommend the Department:

- Require staff to verify Social Security numbers for all Medicaid clients.
- Work with the U.S. Department of Health and Human Services to determine if any unallowable costs charged to Medicaid must be reimbursed.
- Ensure staff members understand the new state law (Revised Code of Washington 9.35.020), which took effect July 1, 2004, and which defines identity theft in the first degree as the use of false identification to obtain anything of value in an aggregate of \$1,500.

In addition, we recommend the Department forward the instances of apparent identity theft to its own Post-Payment Review Office or to the appropriate legal authorities.

Department's Response

The Department does not concur with these conclusions or the methodology used.

- **Require staff to verify Social Security numbers for all Medicaid clients.** WAC 388-476-0005 defines the Department's current Social Security Number (SSN) requirements for medical eligibility, and can be found in the DSHS EA-Z Manual at <http://www1.dshs.wa.gov/esa/EAZManual/Sections/SSN.htm>. Section 3 states, "Assistance will not be delayed, denied or terminated pending the

issuance of an SSN by the Social Security Administration (SSA). However, a person who does not comply with these requirements is not eligible for assistance.” Verification procedures are described under the section titled “Clarifying Information.” SSNs are automatically verified through a cross-match with the SSA Numident file, once the data is entered into the Automated Client Eligibility System (ACES). Section 3 under “Clarifying Information” states: “If a current and valid SSN is not available, the department is responsible to assist a client in making an application for an SSN.”

SSN discrepancies in Numident generate alerts as described in the ACES User Manual at http://www1.dshs.wa.gov/esa/acesman/Sections/alerts/alert_188.htm. On the site, alert_253 describes how workers are notified when there is an SSN discrepancy in the State Data Exchange (SDX), Beneficiary Data Exchange System (BENDEX) or Numident. Furthermore, when the Home and Community Services Quality Assurance Unit reviews client files to confirm financial eligibility, they check to see that the SSN recorded in the Social Services Payment System (SSPS) is the same as the SSN recorded in ACES. They report discrepancies, using ACES as the correct record of the SSN.

- **Work with the U.S. Department of Health and Human Services to determine if any unallowable costs charged to Medicaid must be reimbursed.** 1) Of the 150 clients provided to us for review, 43 percent now have a corrected SSN coded on their SSPS authorization. This indicates that a large number of the discrepancies may be due to keying errors. 2) 79 of the clients listed on the SAO reports were using the SSN of a deceased related person. Of these, 70 are females born before 1934. It appears that widows are still using their deceased husband’s SSN, since it was common in the early part of the last century for women not to have their own SSN. We do not believe that this is indicative of identify theft or fraud.
 - ADSA invested time and resources in the department’s Payment Review Program (PRP) to develop a payment-after-death algorithm to identify potentially incorrect payments following the death of a client. This algorithm is re-run quarterly, and findings are referred to the Office of Financial Recovery or the Medicaid Fraud Control Unit for recovery. We compared the spreadsheet provided by the SAO to the results of this algorithm run and found a match on two clients. Both had already been referred for overpayment recovery.
 - ADSA’s contracts with providers require that the provider notify the department of a client death within 24 hours by phone, or seven days in writing. ADSA’s case managers identify overpayments whenever it is clear that providers have been paid erroneously for services. But the recoupment of overpayments is not reconciled with SSPS payment records. Therefore, beginning with SSPS payment records could lead

SAO to incorrectly determine that payments remain in error and corrective actions have not been taken.

- We do question the method the SAO has used to project payments as a result of this finding. The auditor has reviewed a “selected valid sample.” Whether or not the tests were random, the auditor used non-statistical sampling methods instead of project or extrapolates results. The AICPA’s Audit Guide states, “Any sampling procedure that does not measure the risk is a non-statistical sampling procedure...” The auditor relies on judgment or intuition in interpreting the results of a sampling procedure, instead of available statistical theory. A New York State CPA Journal addresses non-statistical sampling at this site: <http://www.nysscpa.org/cpajournal/2004/504/essentials/p30.htm>. As stated in this opinion, “Such a view is potentially hazardous, because the auditor is permitted to ignore facts that are readily discernable to any practitioner, or legal adversary, who is knowledgeable in the application of statistical methodology.”
- **Ensure staff members understand the new state law (RCW9.35.020) effective July 1, 2004.** Existing field procedures described above are sufficient to identify the rare instances in which someone is trying to receive a service intended for a deceased client.

Auditor’s Concluding Remarks

Applicable Laws and Regulations

The Code of Federal Regulations is explicit regarding obtaining and verifying Social Security numbers as a condition of Medicaid eligibility. 42 CFR 435.910 (a) specifically states in part:

The agency must require, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish each of his or her social security numbers (SSNs).

42 CFR 435.910 (g) states:

The agency must verify each SSN of each applicant and recipient with SSA, as prescribed by the Commissioner, to insure that each SSN furnished was issued to that individual and to determine whether any others were issued.

If a Medicaid applicant cannot remember or has not been issued a Social Security number, 42 CFR 435.910 (e) (1-3) states that the agency must:

- (1) Assist the applicant in completing an application for an SSN;
- (2) Obtain evidence required under SSA regulations to establish the age, the citizenship or alien status, and the true identity of the applicant; and
- (3) Either send the application to SSA or, if there is evidence that the applicant has previously been issued a SSN, request SSA to furnish the number.

42 CFR 435.916 (a) states in part:

The agency must redetermine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months...

42 CFR 435.920 states:

- (a) In redetermining eligibility, the agency must review case records to determine whether they contain the recipient's SSN or, in the case of families, each family member's SSN.
- (b) If the case record does not contain the required SSNs, the agency must require the recipient to furnish them and meet other requirements of Sec. 435.910.
- (c) For any recipient whose SSN was established as part of the case record without evidence required under the SSA regulations as to age, citizenship, alien status, or true identity, the agency must obtain verification of these factors in accordance with Sec. 435.910.

The Medicaid State Plan incorporates the above references as applicable to Washington State's coverage and eligibility criteria when it states the following:

The Medicaid agency meets all requirements of 42 CFR Part 435, Subpart J for processing applications, determining eligibility, and furnishing Medicaid.

RCW 9.35.020 states in part:

- (1) No person may knowingly obtain, possess, use, or transfer a means of identification or financial information of another person, living or dead, with the intent to commit, or to aid or abet, any crime.
- (2) Violation of this section when the accused or an accomplice uses the victim's means of identification or financial information and obtains an aggregate total of credit, money, goods, services, or anything else of value in excess of one thousand five hundred dollars in value shall constitute identity theft in the first degree....